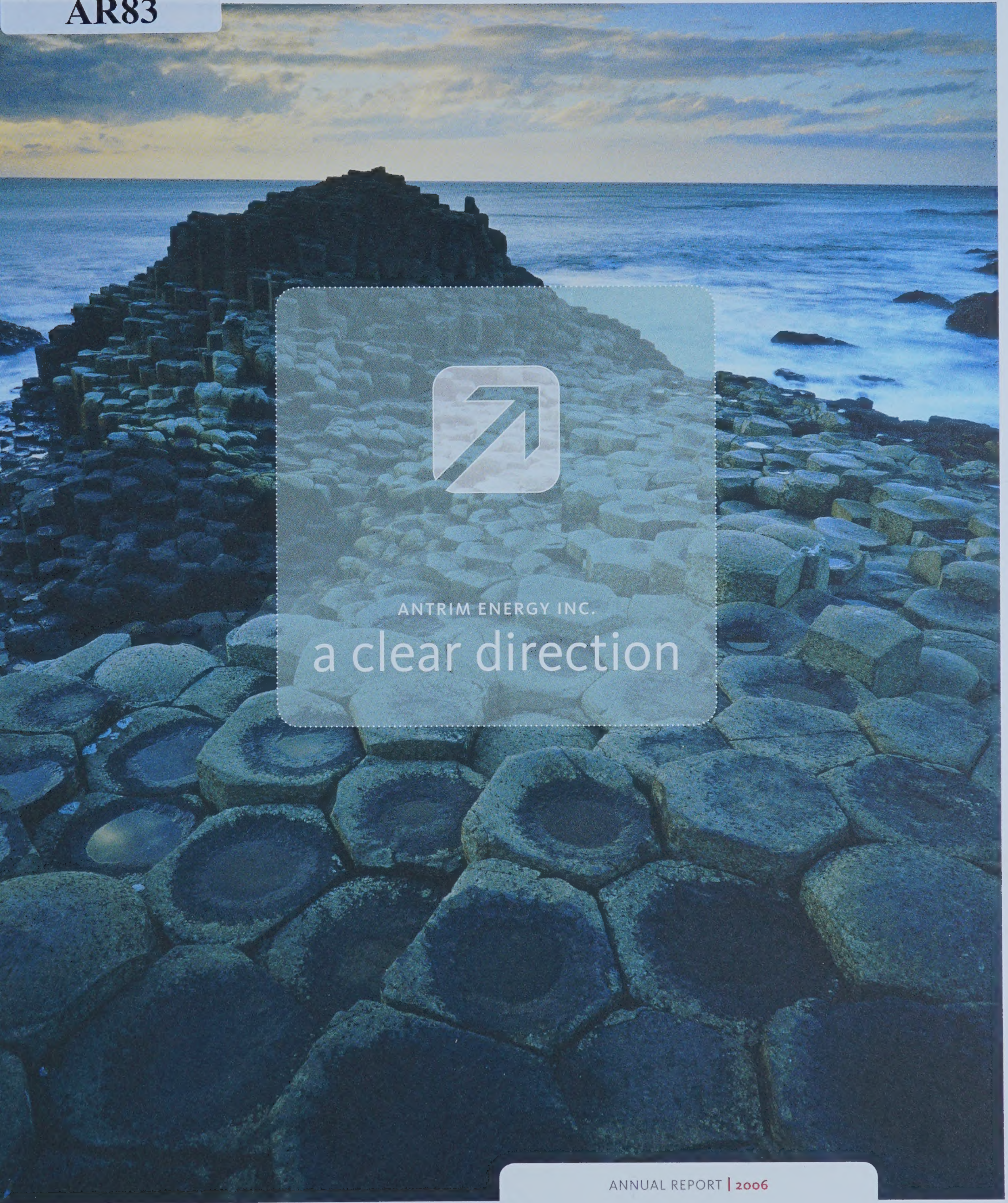


ANTRIM ENERGY INC.

a clear direction

ANNUAL REPORT | 2006

ANTRIM ENERGY INC. IS AN OIL AND GAS EXPLORATION AND PRODUCTION COMPANY. ANTRIM'S PRODUCTION OPERATIONS ARE CENTRED IN ARGENTINA AND ITS HIGH IMPACT OIL AND GAS EXPLORATION IS FOCUSED IN THE UNITED KINGDOM.

ANTRIM'S OBJECTIVE IS TO CREATE SIGNIFICANT WEALTH FOR ITS INVESTORS THROUGH THE DISCOVERY, PRODUCTION AND SALE OF OIL AND GAS. STRONG REVENUE GENERATION COUPLED WITH STRATEGIC PARTNERSHIPS ENSURE THAT THE COMPANY MAINTAINS FINANCIAL AND OPERATIONAL GROWTH.

PUBLICLY LISTED IN 1999, ANTRIM HAS GROWN FROM A SMALL TO A SIGNIFICANT MID-SIZED EXPLORER, **RECENTLY REACHING MORE THAN HALF A BILLION DOLLARS IN MARKET CAPITALIZATION.**

ANTRIM IS BASED IN CANADA WITH OFFICES IN ARGENTINA AND THE UNITED KINGDOM. THE COMPANY IS LISTED ON THE SENIOR TORONTO STOCK EXCHANGE UNDER THE SYMBOL "AEN" AND ON THE LONDON STOCK EXCHANGE'S ALTERNATIVE INVESTMENT MARKET UNDER THE SYMBOL "AEY."

The Annual Meeting of Antrim shareholders will be held at 3 pm on Wednesday, May 30, 2007 at the Calgary Petroleum Club, 319 – 5th Avenue SW, Calgary, Alberta, Canada.

On the cover:
Antrim's distinctive logo is inspired by the Giant's Causeway, Northern Ireland.

The Causeway was formed some 65 million years ago by lava flowing from nearby volcanoes. The basalt columns formed as a result of rock crystallization from rapid cooling. It is estimated that there are around 40,000 columns in total with the tallest reaching 40 feet.

ANTRIM'S HEAD OFFICE, BANKERS HALL
CALGARY, ALBERTA, CANADA.

HIGHLIGHTS

Reserves increased 435% Oil and gas revenue grew 17%

2006 HIGHLIGHTS

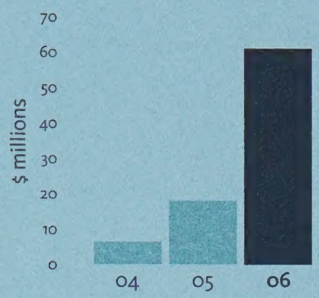
- Proved and probable reserves increased 435%
- Oil and gas revenue grew 17%
- Oil and gas production increased 24%
- Average net gas production increased 51%
- Cash flow from operations grew 48%

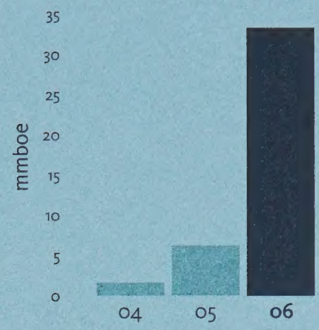
ARGENTINA

- Acquired 70% working interest in Medianera licence
- Acquired extensive 3-D seismic across all licences
- 18 of 19 wells drilled were successful and cased as potential producers
- Secured a two year drilling rig contract for Tierra del Fuego to commence Q2 2007

UK NORTH SEA

- Significant Causeway discovery tested 14,500 bopd
- Secured project management team and drilling rig for 2007 multi-well program
- Acquired 75% working interest in Fyne and Dandy oil fields





CAPITAL EXPENDITURES

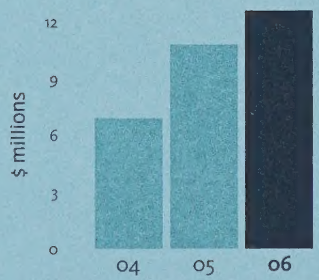
Capital expenditures increased 240% to a record $61.2 million in 2006. Drilling and testing costs represented approximately 70% of capital expenditures in the year. The Company's drilling success ratio in 2006 was close to 100%.

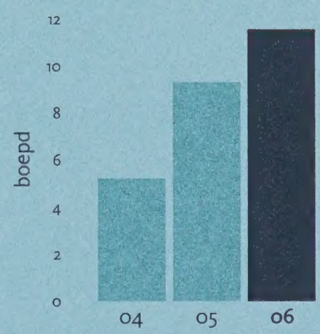
RESERVES (PROVED + PROBABLE)

Reserves (proved and probable) increased 435% over the previous year, reflecting the Company's drilling success in the UK North Sea (12.3 million boe) and Argentina (5.7 million boe), and the acquisition of the Fyne and Dandy oil fields (9.2 million boe) in the UK North Sea.

Average net gas production increased 51%

Cash flow from operations grew 48%





GROSS REVENUE

Gross revenue from oil and gas sales increased 17% over the previous year as drilling success in Tierra del Fuego was placed on production. An export tax implemented early in the fourth quarter of 2006 limited what would otherwise have been even greater revenue on increased production.

PRODUCTION

Production increased 27% in Argentina over the previous year. Significant additional gas and associated liquids volumes are expected to be placed on production in 2007 as facilities are installed. At present, all oil and gas production is in Argentina.

LETTER TO SHAREHOLDERS

Reserves increased 435% over the previous year.

OVERVIEW

2006 was Antrim's strongest year by any measure. Reserve additions, production level, finding costs, cash flow, drilling success, acquisitions, and activity level all increased significantly. As a result the Company has a strong foundation for an equally impressive performance in 2007.

Reserves increased 435% over the previous year, reflecting both drilling success in the UK North Sea and Argentina, and the acquisition of oil and gas properties in the UK North Sea. The Company's **drilling success rate was close to 100%** during late 2005 and 2006 with 8 gas wells and 10 oil wells drilled in Argentina. In the UK, Antrim's high profile offshore oil discovery "Causeway" was drilled in the North Sea. **Average production grew 24%** to 1,157 boepd for 2006, based on our drilling success in Argentina. The Company produced an average of 1,480 boepd in December. The impressive drilling success rate and high volumes of gas tested from the Argentine wells meant that not all of the successful wells were on production by the end of the year – a circumstance that bodes well for future low risk production increases in 2007.

In Argentina, the Company capitalized on the large area of 3-D seismic shot in 2005. Antrim continued its 2005 drilling success through 2006. **Over 80 mmcf/d(21 mmcf/d net) of natural gas with associated liquids have now been tested from new wells on the Antrim owned licences in Tierra del Fuego.**

At the end of the year, the partners in the joint venture had placed an incremental 10 mmcf/d on production. Following the construction of pipeline and processing facilities, an additional 15-20 mmcf/d is expected to be on production before the end of 2007. At the beginning of 2007, Antrim began acquiring additional 3-D seismic along the prolific Springhill oil and gas trend, and contracted a drilling rig scheduled to start a two-year program in June 2007.

The successful Causeway oil discovery tested over 14,500 bopd of light oil from the Brent Group of Sandstones.

In the UK North Sea, the Company drilled **the successful Causeway oil discovery**. The well, which was drilled and operated by Antrim, **tested over 14,500 bopd of light oil from the Brent Group of Sandstones**. The discovery was drilled horizontally through the target formations and penetrated oil bearing sections in two separate fault compartments, only one of which was tested. The untested compartment previously tested over 8,000 bopd. Significant probable reserve additions (12.3 million boe net to Antrim) were booked as a result of this well.

Our financial results mirror operational success with record revenues and cash flow from operations.

In 2006, the Company added an additional North Sea property through the acquisition of a 75% interest in Block 21/28a containing the undeveloped Fyne and Dandy oil fields. This acquisition also added considerable reserves to the Company and provides significant strength to the Company's low risk portfolio of development properties. With further drilling results expected in 2008, and with approval from the UK Department of Trade and Industry, Antrim expects production from Fyne and Dandy in 2009.

FINANCIAL RESULTS

Our financial results mirror our operational success with record revenues and cash flow from operations during the year. Substantial investment in 2006 and value creation is expected to result in further financial and operational success over the coming year.

2007 OUTLOOK

Antrim's outlook for 2007 is for continued strong growth in operational activity with over $100 million budgeted for four North Sea wells and at least ten wells in Argentina. **We expect to continue our impressive drilling success backed by new 3-D seismic programs**, and valuable experience in our focus areas. Three of the North Sea wells will be designed to shed further light on our Causeway discovery. If successful, they will bring Antrim a crucial step closer to first production by late 2008 – mid-2009. In 2007 the Company will look to mitigate future risk through the formation of strategic partnerships and potentially sharing development costs and other similar interests in the Causeway area. We anticipate strong financial growth underwritten by a healthy balance sheet, operational success and growing asset value.

ACKNOWLEDGEMENTS

The Antrim team was strengthened considerably through 2006. It is to this team that I extend my thanks for the job well done. The Antrim Board of Directors continues to provide management with excellent strategic guidance and corporate governance. Together the management, staff and Board of Directors are committed to Antrim's **Clear Direction** to growth.

STEPHEN GREER
President & CEO

OPERATIONS

EAST CAUSEWAY DISCOVERY FLARE ON THE BREDFORD DOLPHIN, JULY 2006.

A CLEAR DIRECTION

DISCOVERY – PRODUCTION – GROWTH

SAN LUIS GAS PLANT, TIERRA DEL FUEGO. ONE OF ANTRIM'S LARGEST PROCESSING FACILITIES.

SEMI-SUBMERSIBLE BREDFORD DOLPHIN USED TO DRILL CAUSEWAY 2006.

PRODUCTION – ARGENTINA

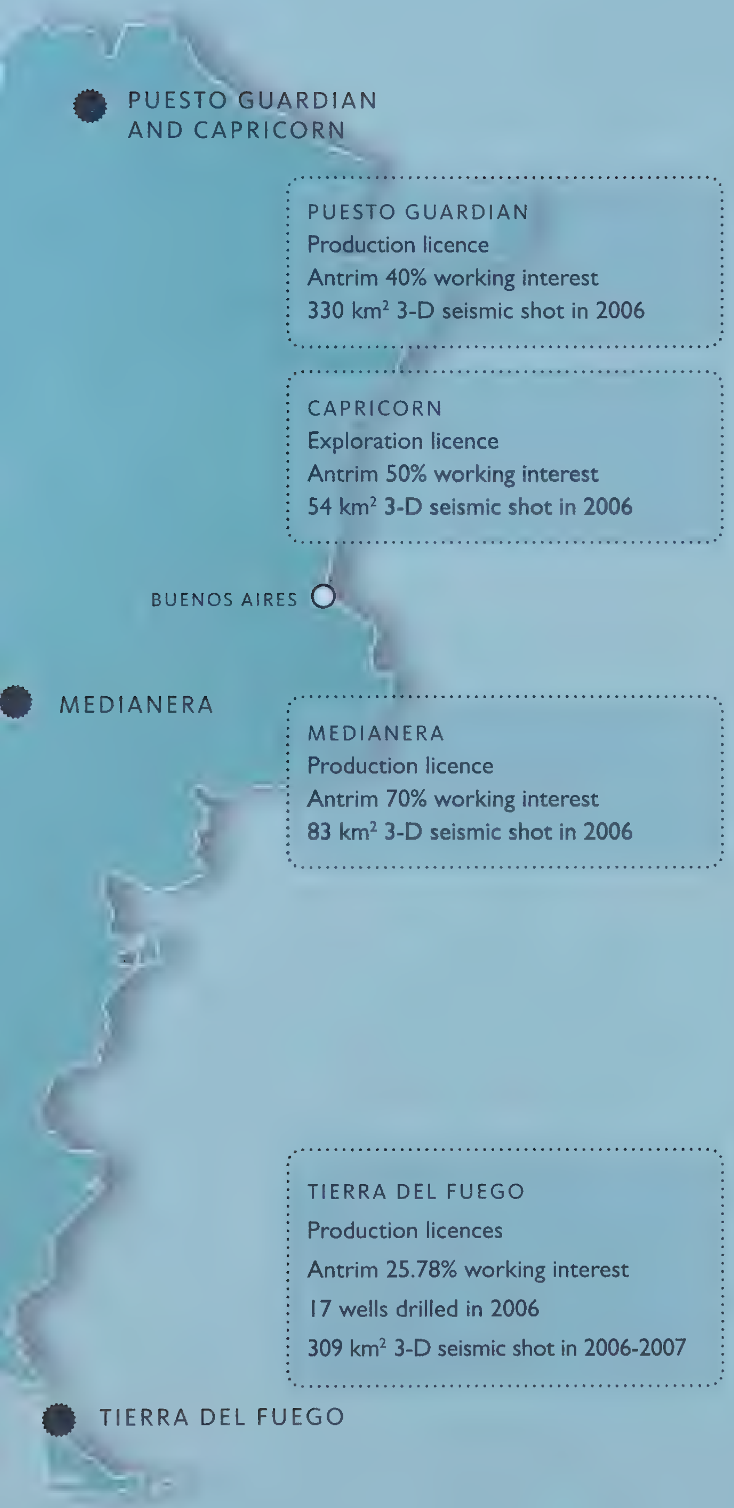
Argentina represents Antrim's engine for sustained near-term growth in production and cash flow. Our properties are located in some of the most prolific oil and gas rich regions of the country: the province of Salta; the central Neuquen province; and the southern province of Tierra del Fuego. Geological and geophysical experience combined with new 3-D seismic and innovative drilling and completion techniques, introduced by Antrim and its joint venture partners, have revolutionized the on-shore oil and gas business in the southern part of the country. The result is record production rates, new large reserve discoveries and low finding costs.

EXPLORATION – UK NORTH SEA

The UK North Sea is Antrim's value step change. Our properties are located in the oil-rich Viking Graben of the Northern North Sea, the oil-rich Central Graben, and the Southern Gas Basin. Antrim's 2006 Causeway discovery (14,500 bopd) demonstrated the region's potential for significant drilling success. The 2007 drilling program is expected to further enhance the value of Antrim's interest in this prolific trend. Antrim's Central North Sea acquisition of the undeveloped oil fields Fyne and Dandy provides the Company with a further opportunity to exploit a low risk, high value oil property in the United Kingdom. Antrim will continue to seek and acquire additional properties in this politically stable, "top ranked" fiscal environment.

ARGENTINA

LOS FLAMENCOS 1005, ANTRIM'S 16TH SUCCESSFUL WELL IN TIERRA DEL FUEGO, ARGENTINA.



ARGENTINA

Antrim's corporate strategy in Argentina continues to focus on efficient development of our oil and gas properties, increasing production and adding substantial value to the reserve base at very low cost.

The Company has accumulated substantial land under licence (496,000 acres net to Antrim) in Argentina allowing great potential for expansion of the successful drilling programs to date. **Antrim's land holdings are concentrated in areas with long standing production and extensive infrastructure**, but areas that nevertheless demonstrate huge potential for growth.

Antrim has acquired its licence holdings in Argentina over six years, the latest acquisition being the 2006 purchase of a controlling 70% interest in the Medianera property in the central province of Neuquen. The Company acquired its interest in the Tierra del Fuego licences in 2005, and has been successfully drilling and adding value to these southern licences in 2006.

Antrim drilled 17 wells in Argentina in 2006, and has been very successful in adding significant reserves to the Company 'through the drill bit.' In Argentina the Company added over 90% to the reserve base during 2006. **Finding and development costs averaged less than \$4/bbl**, one of the lowest in the industry. Production increased over 51% from 978 to 1,484 boepd during the same period with substantial latent production waiting for the construction of new facilities. In 2006 and early 2007 Antrim also acquired 776 km² of new 3-D seismic, laying the foundation for a very active drilling campaign due to commence in the second quarter of 2007, and continue at least through 2008.

In 2007, the Company will continue to focus on the low risk/high value (oil) targets in south and central Argentina, using 3-D seismic to expand beyond the areas successfully drilled during 2006. Antrim will also drill its first exploration well on the newly acquired Medianera licence, drilling to the target-rich, relatively deep section underlying the producing shallow oil field. The Company will also deploy at least one drilling rig to the northern licences to mature several potentially gas-rich plays in increasingly gas starved Argentina.

Finding and development costs in Argentina averaged less than \$4/bbl

LOS PATOS 1010

TIERRA DEL FUEGO

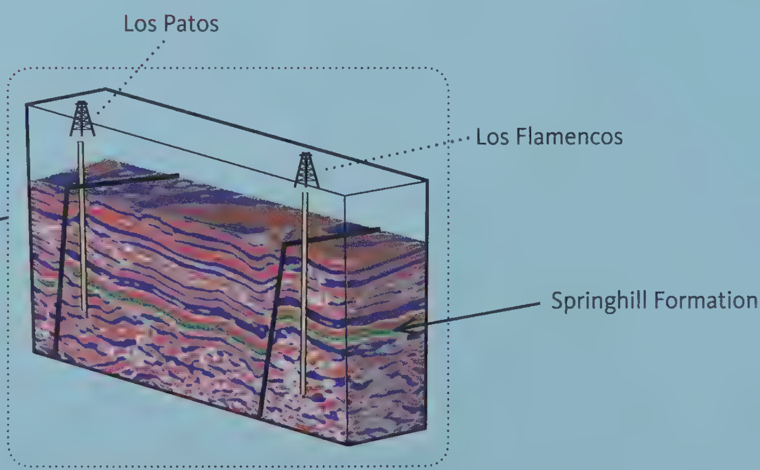
The primary target in the Tierra del Fuego area of the Austral Basin is the Cretaceous Springhill Formation – a widespread sandstone which hosts reserves estimated at 1.2 billion boe in this relatively compact petroleum basin. **Onshore, the Springhill sandstone reservoirs are divided by geological faults into separate pools, each readily identified by 3-D seismic mapping.** Antrim and partners have successfully mapped and drilled several new pools resulting in the discovery of significant new reserves. Once thought to be a liquid-rich gas resource, Antrim has identified significant new oil reserves in the area.

Low to moderate production rates had been achieved by previous operators, but with innovative geophysical work and newly developed drilling and completion methods, Antrim has sought to improve production rates and identify new and very significant resources in the area.

The recent drilling program, which started in late 2005, and continued through 2006, **resulted in combined test rates of over 80 mmcf/d of wet gas from new operations**. To date only a fraction of this new resource (21 mmcf/d) has been brought on stream with the expectation that an additional 15-20 mmcf/d will begin production in 2007. The Company and its joint venture partners have also seen an increase in liquids and high grade oil production through 2006. The discovery in 2006 of an 'oil leg' to the Los Patos gas pool holds substantial promise for continued increases in liquids production through 2007.

In late 2006 and in early 2007 a 309 km^2 3-D seismic program was initiated - designed to expand each target area from the 2006 drilling successes. **A drilling rig dedicated to the Tierra del Fuego licences has been contracted for two years**, starting in June 2007. The Company's challenge in 2007 will be to place more of its already discovered reserves on stream, and to drill new discoveries with maximum efficiency in this target rich area.

The recent drilling program, which started in late 2005, and continued through 2006, resulted in combined test rates of over **80 mmcf/d** of wet gas from new operations.



PUESTO GUARDIAN / CAPRICORN

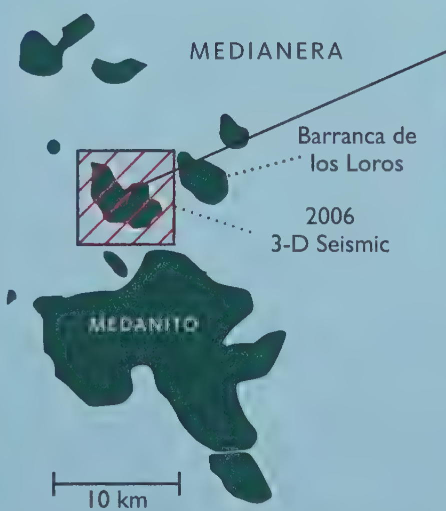
The oil-bearing Cretaceous Yacorite Sandstone is the primary target in both the Puesto Guardian production licence and the adjacent Capricorn exploration licence. In 2006, the Puesto Guardian licence produced approximately 800 bopd (net 320 bopd). Peak oil production of approximately 10,000 bopd was recorded from the Puesto Guardian fields shortly after discovery in 1979. The area has since suffered from sparse investment. However, Antrim and partners have initiated a **renewed investment program** which started in 2006 **with the acquisition of 384 km² of new 3-D seismic** in both blocks. Antrim and partners plan to use the newly acquired seismic to support a drilling program on the Puesto Guardian and Capricorn licences in 2007.

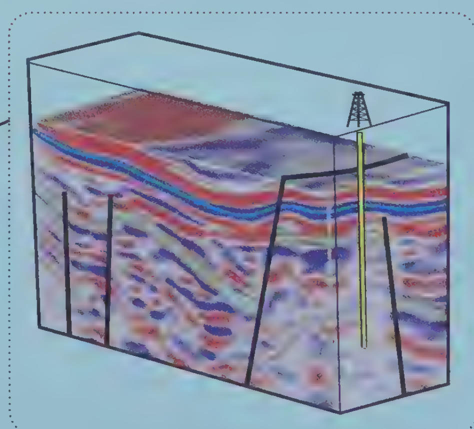
Antrim and partners have initiated a renewed investment program which started in 2006 with the acquisition of 384 km² of new 3-D seismic

MEDIANERA

The Medianera licence is located in the prolific Neuquen province close to the 250 mmbbl Medanito, and the 11 mmbbl Barranca de los Loros fields. Relatively small volumes of oil are currently produced from a shallow oil field on the licence. In 2006, Antrim purchased a controlling 70% interest in the licence, enabling the Company to explore deeper horizons for more prolific reservoirs such as the pre-Cuyo 'syn-rift' sequence, including the Sierras Blancas Formation which are productive in the adjoining fields. In 2006, Antrim acquired 83 km² of new 3-D seismic with a view to initiating a drilling program in mid-2007. Early results from this seismic program indicate that the area shows significant promise at the deeper intervals and **a rig has been scheduled to start drilling in July 2007**.

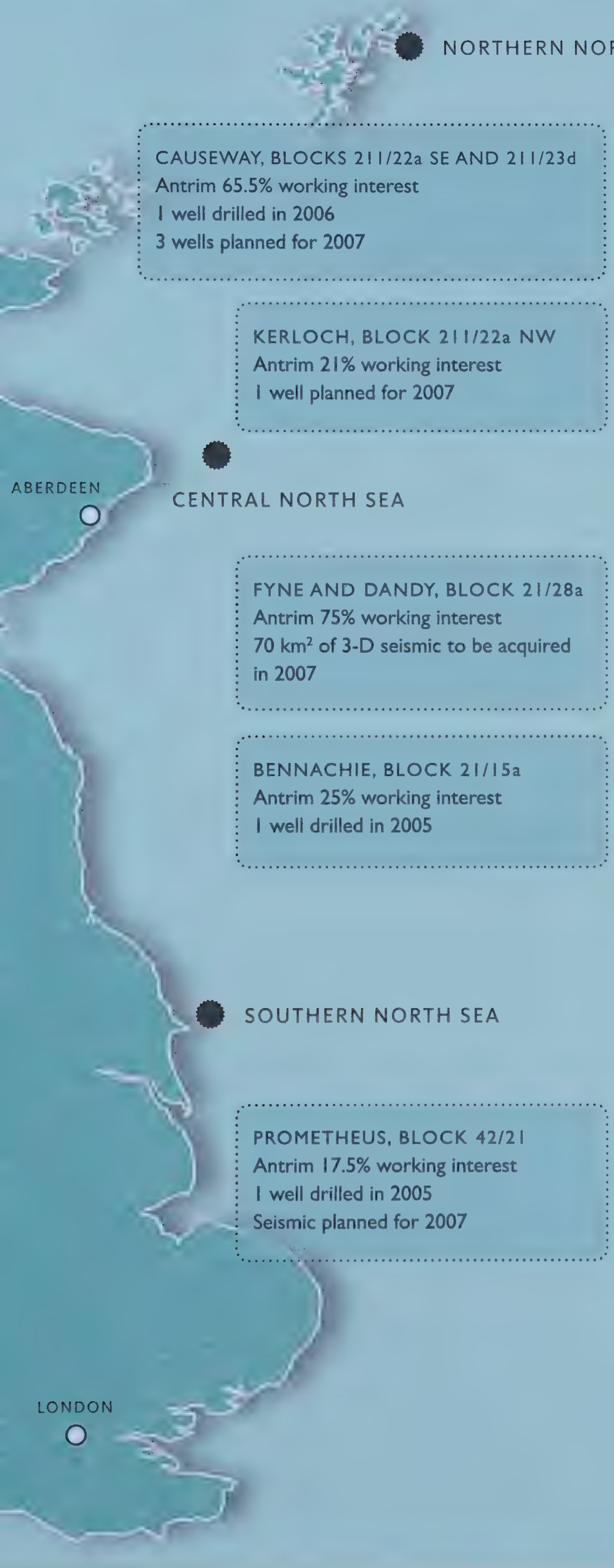
MEDIANERA PUMPJACK





UK NORTH SEA

SEMI-SUBMERSIBLE BREDFORD DOLPHIN,
USED TO DRILL EAST CAUSEWAY 2006



UK NORTH SEA

Antrim's strategy in the North Sea has been to concentrate its efforts on relatively low risk but nevertheless high value drilling opportunities in the predominantly mature, oil rich areas of the northern and central regions. Despite the maturity of the UK petroleum basin, it has been estimated that the UK North Sea still has remaining recoverable reserves of up to 25 billion barrels (as reported in the UKOOA Activity Survey 2006). Antrim's longer-term strategy in the UK is to seek larger targets, only accepting additional risk as new cash flow warrants. The Company aims to be a long-term and prominent player in UK North Sea exploration and development.

Antrim has acquired its North Sea interests at low cost using several entry points including the UK's 'Promote' system of licence awards, farm-in agreements, the purchase of fallow exploration property, and the recent purchase of undeveloped fields. The Company strives to add substantial value to each property through the drill bit. This strategy has been most successfully demonstrated by the 2006 East Causeway discovery in Block 211/23d.

The Company aims to be a long-term and prominent player in UK North Sea exploration and development.

In 2006, Antrim acquired Exploration Offshore Operator's status and drilled the East Causeway discovery 211/23d-17z. The well was technically challenging, reaching a drilling depth of 4,540 metres (3,160 mTVD), with over 1,000 metres of horizontal section and deviation exceeding 107 degrees. Nevertheless, the well was successfully drilled and tested in 77.5 days. **The discovery tested at a combined rate of 14,500 bopd from the Ness and Tarbert Formations**. In 2006, Antrim also furthered its successful strategy of acquiring undeveloped discoveries through the purchase of a 75% interest in the Fyne and Dandy oil fields.

In 2007, **Antrim plans** to drill several appraisal wells on the Causeway structure. If the wells are successful, Antrim will apply for a Field Development Plan, with a target **to have first production by the end of 2008 to mid-2009**. Also in 2007, Antrim plans to drill "Kerloch", a step-out well to the original discovery well on the Block now contained within the licence 211/22a NW (Antrim 21% interest). The coming year will also see activity on the Fyne and Dandy fields with a high resolution 3-D seismic program planned for the second quarter, and the potential for a well drilled between December 2007 – February 2008.

2007 could also see further property acquisition in keeping with the Company's strategy of acquiring low risk, high interest, high impact oil properties.

NORTHERN NORTH SEA – THE CAUSEWAY DISCOVERY

The Causeway discovery straddles Blocks 211/22a SE and 211/23d situated on the western flank of the northern Viking Graben in the profilic Brent oil province. The discovery well (211/23d-17z) was drilled on the crest of a northeast – southwest orientated fault-bounded ridge which extends from the Osprey field in the NE to a previous oil discovery, 211/22a-3, in the SW. The ridge is terraced, each individual terrace separated from adjacent terraces by a sealing NW-SE orientated geological fault. The 211/23d-17z well was drilled horizontally from one fault terrace to the adjacent, previously untested, terrace.

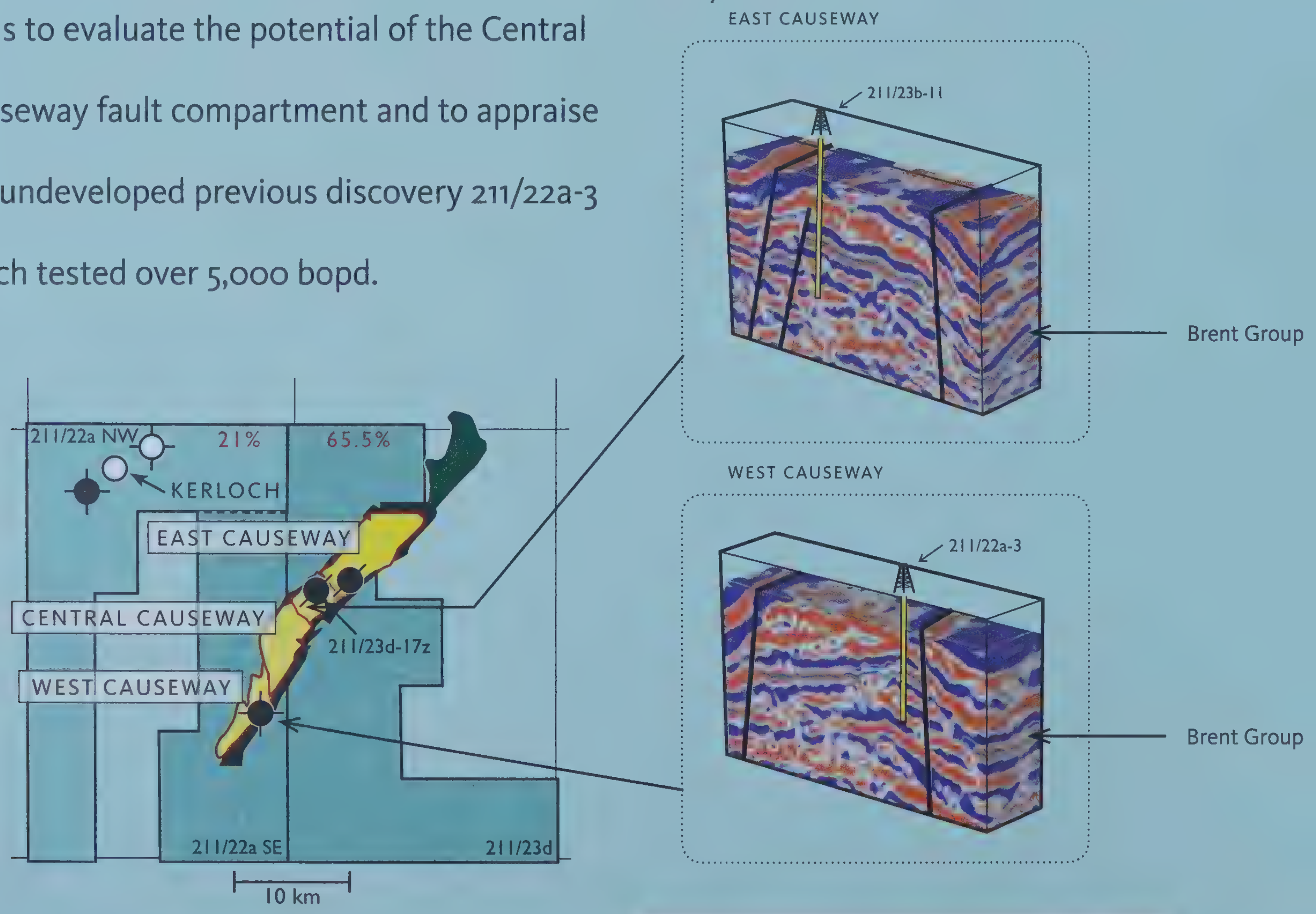
Antrim used data from a previously drilled discovery well (211/23b-11) and drilled horizontally to improve reservoir exposure in the b-11 compartment, and then continued the drilling operation into the adjacent, previously undrilled fault compartment to the SW.

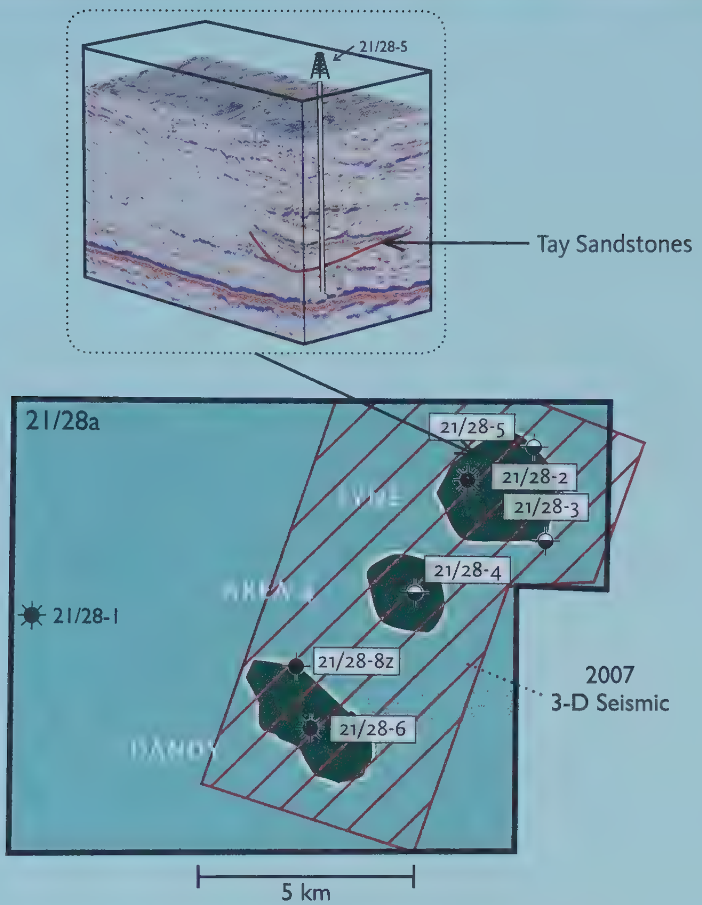
Antrim plans to drill an additional three wells to evaluate the potential of the Central Causeway fault compartment and to appraise the undeveloped previous discovery 211/22a-3 which tested over 5,000 bopd.

The Antrim operated East Causeway discovery well was drilled in mid-2006 to a target depth of 4,540 metres (including the horizontal section). The well penetrated 23.5 metres of vertical net pay in the prospective Ness and Tarbert Formations. Test results indicated a combined flow rate of 14,500 barrels of light oil per day with no water. A previously tested zone (8,100 bopd) in the Ness Formation was logged but left untested in this wellbore; however, this zone is likely to be completed for production at a later date. Independent engineering analysis has estimated that the discovery in the Causeway structure has contributed to a probable reserve of 12.3 mmboe (net to Antrim), excluding any potential reserves contained in the Central Causeway fault compartment.

Building on the success of the 2006 operation, **Antrim will extend the drilling program this year and drill the remaining untested terraces along the Causeway trend.**

In 2007, **Antrim plans to drill an additional three wells to evaluate the potential of the Central Causeway fault compartment and to appraise the undeveloped previous discovery 211/22a-3 which tested over 5,000 bopd**. Looking further ahead, if the current round of drilling is successful, Antrim will explore outside the fault boundaries for the (possibly larger) combined structural / stratigraphic traps potentially located on the flanks of the Causeway structure.





The 2006 acquisition of the undeveloped Fyne and Dandy oil fields provides Antrim with an opportunity to accelerate production from the UK.

CENTRAL NORTH SEA – THE FYNE AND DANDY FIELDS

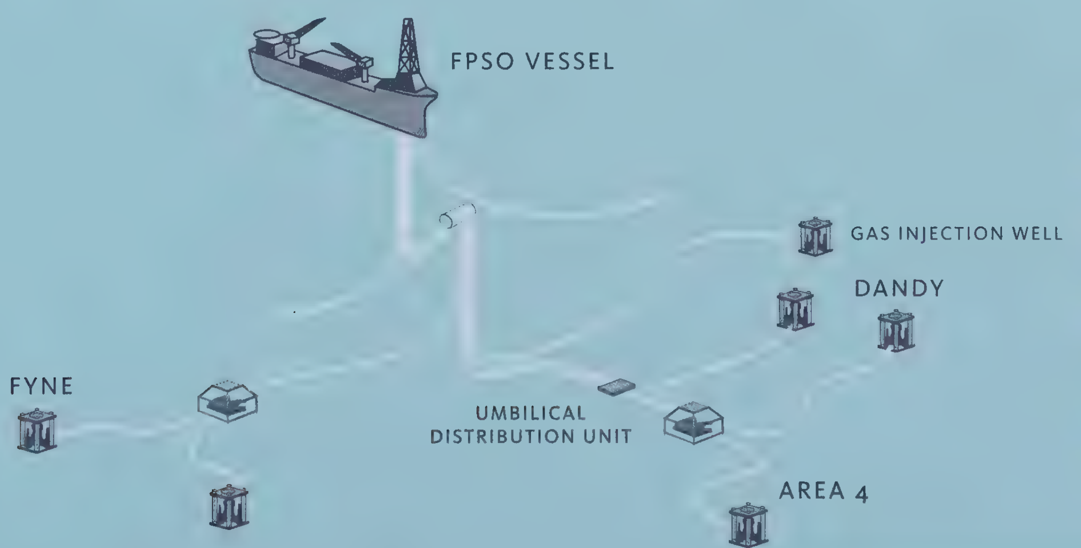
The Fyne and Dandy oil fields are located approximately 180 km east of Aberdeen in 90 metres of water. The oil, 20-25 degrees API, is trapped in the Eocene Tay Sandstones at an average drilling depth of approximately 1,300 metres. The Fyne field was discovered in 1987 by **well 21/28a-2** (currently suspended) which **tested oil at rates up to 3,600 bopd**. In 2006, the independent engineering evaluation estimated probable recoverable reserves of 9.2 mmboe (net to Antrim) in the fields.

The 2006 acquisition of the undeveloped Fyne and Dandy oil fields **provides Antrim with an opportunity to accelerate production from the UK**. Antrim's plan is to use the latest technology for production and recovery, to maximize potential production rates and recoverable reserves. Antrim plans to bring the fields on production at the earliest date possible. To this end, Antrim will shoot high resolution seismic over the fields in the second quarter of 2007. This seismic program is expected to provide the subsurface detail necessary to plan a drilling program to start at the end of 2007 or early 2008.

At this stage, prior to the approval of a Field Development Plan, the Company expects to produce the Fyne and Dandy fields from a small number of wells. Previous test rates of between 1,000 and 3,600 bopd were achieved from vertical wells unsupported by pumps. Antrim expects to employ lateral drilling techniques and submersible pumping equipment to maximize production rates from the wells. An enhanced recovery scheme, including water and gas re-injection, is planned to start immediately upon production.

Early production concepts for Fyne and Dandy envisage the deployment of an FPSO (floating production, storage and offloading vessel) tying the two fields and other satellite fields back to the production facility.

Antrim is also examining additional exploration and development potential on the licence including the undeveloped discovery designated "Area 4" situated between the Fyne and Dandy fields, and the deeper potential believed to exist in the underlying Jurassic Sandstones.



STATISTICAL REVIEW

RESERVES RECONCILIATION

(based on constant price and cost assumptions)

Antrim's Interest in Reserves before Royalty

	Opening Balance (mboe)	*Net Additions (mboe)*	*Revisions (mboe)*	*Dispositions (mboe)*	*Production (mboe)*	*Closing Balance (mboe)*
Proved	4,305	5,341	(3,498)	(68)	(420)	5,660
Probable	1,928	28,184	(2,427)	(17)	–	27,668
Total	6,233	33,525	(5,925)	(85)	(420)	33,328

OIL AND NATURAL GAS RESERVES AND NET PRE-TAX CASH FLOWS

(based on constant price and cost assumptions)

Antrim's Interest in Reserves

	Oil (mbbls)		*NGL's (mbbls)*		*Natural Gas (mmcf)*		*Total (mboe)*	
December 31, 2006	*Gross*	*Net*	*Gross*	*Net*	*Gross*	*Net*	*Gross*	*Net*
Argentina								
Proved:								
Proved Producing	848	746	155	136	5,593	4,922	1,935	1,702
Proved Undeveloped	545	480	468	411	16,272	14,320	3,725	3,278
Total Proved	1,393	1,226	623	547	21,865	19,242	5,660	4,980
Probable	1,430	1,258	946	832	22,859	20,116	6,185	5,444
Total (Argentina)	2,823	2,484	1,569	1,379	44,724	39,358	11,845	10,424
United Kingdom								
Proved:								
Proved Producing	–	–	–	–	–	–	–	–
Proved Undeveloped	–	–	–	–	–	–	–	–
Total Proved	–	–	–	–	–	–	–	–
Probable	20,686	20,686	–	–	4,783	4,783	21,483	21,483
Total (United KIngdom)	20,686	20,686	–	–	4,783	4,783	21,483	21,483
Cumulative Totals								
Proved:								
Proved Producing	848	746	155	136	5,593	4,922	1,935	1,702
Proved Undeveloped	545	480	468	411	16,272	14,320	3,725	3,278
Total Proved	1,393	1,226	623	547	21,865	19,242	5,660	4,980
Probable	22,116	21,944	946	832	27,642	24,899	27,668	26,927
Total	23,509	23,170	1,569	1,379	49,507	44,141	33,328	31,907

OIL AND NATURAL GAS RESERVES AND NET PRE-TAX CASH FLOWS

(based on constant price and cost assumptions)

Present Value Cash Flow Before Income Tax (CDN $ 000's)

December 31, 2006	*PV (0%)*	*PV (10%)*	*PV (15%)*	*PV (20%)*
Argentina				
Proved:				
Proved Producing	30,851	23,650	21,112	19,050
Proved Undeveloped	29,308	15,190	10,878	7,689
Total Proved	60,159	38,840	31,990	26,739
Probable	67,685	27,528	18,459	12,709
Total (Argentina)	127,844	66,368	50,449	39,448
United Kingdom				
Proved:				
Proved Producing	–	–	–	–
Proved Undeveloped	–	–	–	–
Total Proved	–	–	–	–
Probable	607,927	174,814	6,862	1,933
Total (United Kingdom)	607,927	174,814	6,862	1,933
Cumulative Totals				
Proved:				
Proved Producing	30,851	23,650	21,112	19,050
Proved Undeveloped	29,308	15,190	10,878	7,689
Total Proved	60,159	38,840	31,990	26,739
Probable	675,612	202,342	25,321	14,642
Total	735,771	241,182	57,311	41,380

OIL AND GAS PRICE FORECAST

(effective January 1, 2007)

	Crude Oil Prices (U.S. $/stb)				*Natural Gas*	*NGL*
		Argentina - Tierra	*Argentina - Puesto*		*Price (U.S.$/mcf)*	*Price (U.S. $/bbl)*
Year	*WTI*	*del Fuego*	*Guardian*	*Brent*	*Argentina*	*Argentina*
2007	61.00	50.26	37.96	59.59	1.36	32.41
2008	61.00	50.26	37.96	59.59	1.84	30.16
2009	60.00	49.41	37.86	58.61	1.93	29.65
2010	58.00	47.71	37.46	57.47	2.03	28.63
2011	57.00	46.86	37.26	56.83	2.13	28.11
2012	56.00	46.00	37.06	56.23	2.24	27.60
2013	56.00	46.00	37.06	56.33	2.35	27.60
2014	57.00	46.86	37.26	56.95	2.47	28.11
2015	58.14	47.83	37.49	57.59	2.59	28.70
2016	59.30	48.82	37.72	58.27	2.72	29.29

Thereafter, escalated at 2% per year

MD&A AND FINANCIALS

FLARE TEST, CAUSEWAY 2006.

MANAGEMENT'S DISCUSSION & ANALYSIS

2006, Antrim's record year, increased production by **24%**, Reserves by **435%**, Revenue by **17%** and Net Cash Flow Income to **$1.3** million.

This management's discussion and analysis ("MD&A") is as of March 29, 2007 and should be read in conjunction with Antrim's consolidated financial statements and accompanying notes for the year ended December 31, 2006. The calculations of barrels of oil equivalent ("boe") are based on a conversion rate of six thousand cubic feet of natural gas to one barrel of oil. The boe conversion ratio is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Unless otherwise stated, all dollar amounts are expressed in Canadian dollars.

FORWARD LOOKING STATEMENTS

This MD&A contains forward-looking statements. Forward looking statements often, but not always, are identified by the use of words such as "seek," "anticipate," "believe," "plan," "estimate," "expect," "targeting" and "intend" and statements that an event or result "may," "will," "should," "could," or "might" occur or be achieved and other similar expressions. Forward-looking statements are based on current expectations that involve a number of risks and uncertainties. Consequently, actual results might differ materially from results forecast or suggested in these forward looking statements. Such risks, uncertainties and other factors include the uncertainties inherent in oil and gas exploration and development activities, the effect of actions by third parties, fluctuations in world oil prices and other risks detailed in the Company's Annual Report and Annual Information Form ("AIF"). Additional information relating to the Company, including the Company's AIF, is on SEDAR at www.sedar.com. Antrim assumes no obligation to update forward looking statements should circumstances or management's estimates change.

In accordance with AIM guidelines, Mr. Kerry Fulton, P. Eng and Chief Operating Officer of Antrim, is the qualified person that has reviewed the technical information contained in this MD&A.

NON-GAAP MEASURES

Cash flow from operations, cash flow from operations per share and netback does not have a standard meaning under generally accepted accounting principles ("GAAP") and may not be comparable to that reported by other companies. Management believes that cash flow from operations is a useful supplementary measure that may assist investors. Cash flow from operations is defined as cash flow from operating activities before changes in working capital.

OVERVIEW

In 2006, Antrim had a record and, by all measures, a successful year. Reserves, production, revenue and cash flow from operations all increased significantly. Drilling results in both Tierra del Fuego, Argentina, and at Causeway in the United Kingdom met or exceeded expectations. Most importantly, they have set the basis for significant further development and growth within the Company. Other activities in 2006, including the acquisition of extensive 3-D seismic across the Company's concessions in Argentina and the acquisition of a majority interest in the Fyne and Dandy oil fields in the United Kingdom, have also strengthened the Company's position for future growth with the expectation that they too will lead to further drilling in 2007 and 2008.

Reserves (proved and probable) increased 435% over the previous year reflecting the Company's drilling success in the UK North Sea and Argentina, and the acquisition of an oil property in the North Sea. 12.3 million boe of probable reserves (net) were added in Antrim's Causeway property. 9.2 million boe of probable reserves (net) were added through the acquisition of the UK Fyne and Dandy Fields. Proven and probable reserves in Argentina increased 93% (5.7 million boe) as a result of the very successful drilling program in Tierra del Fuego.

In Tierra del Fuego, Antrim has participated in a total of 19 wells, 18 of which have been cased as potential producers. Existing gas processing facilities on the concessions are not sufficient to process additional volumes. An expansion of gas processing facilities and installation of a pipeline that will connect the Las Violetas concession to the San Martin pipeline is in progress. Expansion, projected for completion August 2007, is expected to raise gross gas processing capacity to between 35 and 40 mmcf per day. Negotiations are underway for liquids-rich gas sales prior to the start-up of the expanded processing facilities. Additional oil pipeline, storage and treatment facilities are also planned for 2007 to enable increased oil production. Drilling is expected to resume in the second quarter of 2007. Antrim's working interest in the Tierra del Fuego concessions is 25.78%.

In Causeway, Antrim announced combined test rates of 14,500 barrels of oil per day from the Tarbert and Ness reservoirs located in the westernmost of the two fault compartments drilled. Test results did not include the combined intervals tested at rates up to 8,100 bopd in the previously drilled and now suspended well 211/23b-11. Based on the results of these tests, Antrim intends to follow-up the discovery with a drilling program of up to three wells commencing in the second quarter of 2007. Antrim has operatorship and a 65.5% working interest in the two blocks that comprise the Causeway structure.

FINANCIAL AND OPERATING RESULTS

	2006	2005	2004
Financial Results *(Cdn $000's except per share amounts)*			
Oil and gas revenue	**12,644**	10,807	6,900
Cash flow from operations	**3,733**	2,530	400
Cash flow from operations per share	**0.06**	0.06	0.01
Net income (loss)	**1,342**	(3,190)	(5,586)
Net income (loss) per share	**0.02**	(0.07)	(0.16)
Total assets	**145,151**	60,227	35,124
Working capital	**55,392**	29,969	20,325
Expenditures on petroleum and natural gas properties	**61,163**	17,976	6,362
Debt	–	–	–
Dividends declared	–	–	–
Common shares outstanding *(000's)*			
End of year	**87,059**	54,886	39,487
Weighted average - basic	**66,918**	43,824	33,966
Weighted average - fully diluted	**76,326**	44,669	34,644
Production			
Oil, natural gas and NGL production *(boe per day)(1)*	**1,157**	931	491

(1) The boe conversion ratio of 6 mcf:1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

Oil and Gas Revenue

Oil and gas revenue increased to $12,644,011 in 2006 compared to $10,806,784 in 2005. Revenues increased following the acquisition effective February 14, 2005 of a 25.78% working interest in three producing exploitation concessions in Tierra del Fuego, Argentina and a subsequent increase in production from those concessions.

Average net oil production in the year was 550 bopd compared to 522 bopd in 2005. Average net oil production in the fourth quarter of 2006 was 628 bopd compared to 469 bopd for the comparable period in 2005. Oil prices averaged $50.85 per barrel in 2006 compared to $47.97 per barrel in 2005. Oil production from both the Puesto Guardian and Tierra del Fuego concessions is sold with reference to the price of West Texas Intermediate ("WTI") crude oil less a quality discount. Domestic oil sales are subject to a mandated discount which increases as the price of WTI crude oil increases. Oil exports are subject to an export tax introduced in the fourth quarter of 2006.

Average net gas production to Antrim in 2006 was 3.33 mmcf per day compared to 2.21 mmcf per day in 2005. Average net gas production in the fourth quarter of 2006 was 4.77 mmcf per day compared to 2.42 mmcf per day for the comparable period in 2005. Gas volumes increased significantly following completion in July 2006 of a 10 km high pressure gas pipeline. Gas prices averaged $1.32 per mcf in 2006 compared to $0.96 per mcf in 2005. Gas production from the Tierra del Fuego concessions is sold to domestic residential and industrial consumers under fixed price contracts. The price of gas sold to industrial consumers increased in 2006. As expected, the price of gas has continued to increase, from US$1.32 per mcf for certain industrial gas contracts in the fourth quarter of 2006 to over US$1.60 per mcf in the first quarter of 2007. The price of gas sold to residential consumers is not anticipated to increase above the current price of US$0.36 per mcf.

Antrim had no NGL (propane and butane) production prior to the Tierra del Fuego acquisition. Average net NGL production in 2006 was 52 barrels per day compared to 41 barrels per day in 2005. NGL prices averaged $39.30 per barrel in 2006 compared to $39.58 per barrel in 2005.

The export tax introduced in October 2006 on crude oil exports is 45% if WTI is US$45 barrel or above. The export tax on NGL exports is 20%. Antrim has filed an appeal of the resolution introducing the export tax, a subsequent resolution deeming it retroactive to January 2002 and an injunction to prevent collection of the export tax on a retroactive basis. In February 2007, a court granted the injunction pending the outcome of the appeals.

On January 16, 2007, the Argentine government issued Law 26,217 which extended all export taxes for a further five years and specifically included exports from Tierra del Fuego. At present, substantially all oil and NGL production is exported. As a result of the export tax, Antrim and its partners in the concessions are reviewing the impact of the export tax on current and proposed export contracts and the possibility of selling oil to alternative domestic markets.

Netbacks

An increase in gas production during the year and corresponding change in sales mix resulted in a lower wellhead price and slightly lower netback per boe despite higher sales prices for crude oil and gas. Antrim realized a per unit netback of $18.21 per boe in 2006 compared to a per unit netback of $18.41 per boe in 2005. The table below provides a comparative analysis of field netbacks for 2006 and 2005.

	2006	2005
Wellhead price *($/boe)*	**29.95**	31.79
Royalties *($/boe)*	**(3.66)**	(4.09)
Operating expenses *($/boe)*	**(8.08)**	(9.29)
Netback *($/boe)*	**18.21**	18.41
Oil, natural gas and NGL production *(boe)(1)*	**422,185**	339,930
Oil, natural gas and NGL production *(boe per day)(1)*	**1,157**	931

(1) The boe conversion ratio of 6 mcf:1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

Average production in the fourth quarter of 2006 was 1,484 bopd compared to 914 bopd for the comparable period in 2005.

Gain on Sale of Petroleum and Natural Gas Properties

In 2006, Antrim recorded a gain of $1,466,864 with respect to the sale of non-core assets in Tanzania, the Czech Republic and Australia. Proceeds from the sale of assets consisted of 1,175,000 common shares of Nor Energy AS, a private Norwegian company, and cash proceeds of $1,300,801. The effective date of the sale was March 31, 2006.

General and Administrative

General and administrative costs ("G&A") increased in 2006 to $4,302,475 compared to $3,011,410 in 2005. During the year, Antrim also capitalized $1,758,953 (2005 - $1,271,489) of G&A costs related to exploration and development activity primarily in Argentina and the United Kingdom. G&A costs increased in 2006 due to greater corporate activity, higher staffing levels and rising salary and other personnel costs within the oil and gas industry.

Depletion and Depreciation

Depletion and depreciation expense increased in 2006 to $2,540,032 compared to $1,826,451 in 2005 as a result of increased oil and gas production in the year. The consolidated per unit charge increased to $6.02 per boe from $5.37 per boe in 2005 as a result of increased drilling and facility costs in Tierra del Fuego. No depletion was recorded with respect to assets in the United Kingdom as they are classified as unproven properties.

Foreign Exchange Loss

The Company incurred foreign exchange losses in 2006 of $565,745 (2005 – $459,456) due to fluctuations between the Canadian dollar and Pound Sterling and the continued strengthening of the Canadian dollar against the US dollar. Substantially all of the Company's operating and exploration and development activities are denominated in currencies other than the Canadian dollar. Substantially all revenues are denominated in US dollars.

Income Taxes

Antrim recorded current income tax expense in 2006 of $388,008 (2005 – $867,514) and future income tax recoveries of $272,760 (2005 – $17,867). Net earnings in Argentina decreased in 2006 due to higher G&A costs and costs associated with increased activity in Medianera and Tierra del Fuego. No corporate income tax is payable on net operating income from the Tierra del Fuego concessions.

Cash Flow and Net Income

Antrim generated cash flow from operations in 2006 of $3,733,092 ($0.06 per share) compared to cash flow from operations of $2,529,719 ($0.06 per share) in 2005. Net income in 2006 was $1,342,016 ($0.02 per share) compared to a net loss of $3,189,569 ($0.07 per share) in 2005. Net income increased due to higher revenues on increased oil, gas and NGL production, higher oil and gas prices and gain on the sale of non-core assets.

Capital Expenditures

Expenditures on petroleum and natural gas properties in 2006 were $61,163,487 compared to $17,975,947 in 2005. Despite an active drilling and seismic acquisition program in Argentina in 2006, the majority of capital expenditures were related to successful drilling and testing of the East Causeway prospect and the acquisition of the Fyne and Dandy oil fields in the United Kingdom. While significant activity is planned for Argentina in 2007, it is anticipated that the majority of capital expenditures will again be incurred in the United Kingdom.

FINANCIAL RESOURCES AND LIQUIDITY / OUTLOOK

At December 31 2006, Antrim had working capital of $55,391,981 (December 31, 2005 - $29,969,247) including cash of $53,714,443 (December 31, 2005 – $33,209,478) and no debt. Working capital increased following completion of a $29 million and $56 million offering in May 2006 and November 2006, respectively, partially offset by seismic, drilling and facility expansion costs in Argentina, drilling and testing costs related to the East Causeway discovery and the acquisition in November 2006 of the Fyne and Dandy oil fields in the UK North Sea.

Cash flow from operations in Argentina is expected to be reinvested in Argentina during the year. In Tierra del Fuego, work began in the first quarter of 2007 to acquire an additional 260 km² of new 3-D seismic to allow Antrim to identify both infield development locations and undrilled fault block exploration locations. Drilling of up to 10 wells in Tierra del Fuego is expected to resume in the second quarter of 2007. Existing gas processing facilities in Tierra del Fuego are not sufficient to process additional volumes and an expansion of gas processing facilities and installation of a pipeline that will connect the Las Violetas concession to the San Martin pipeline is in progress. The expansion, projected for completion August 2007, is expected to raise gas processing capacity to between 35 and 40 mmcf per day at which time previous gas discoveries are expected to be placed on production. Negotiations are underway for liquids-rich gas sales prior to the start-up of the expanded processing facilities. Additional oil pipeline, storage and treatment facilities are also planned for 2007 to enable increased oil production.

At least one exploration well is planned in 2007 for each of the Medianera and Capricorn blocks in Argentina. In the Puesto Guardian Concession, processing of 330 km² of 3-D seismic data is expected to be completed in May 2007 leading to a drilling program on the concession in 2007-2008.

In the United Kingdom, Antrim intends to follow-up the East Causeway discovery with a drilling program of up to three wells commencing in the second quarter of 2007. Antrim also plans to participate in the drilling of the East Kerloch prospect in Block 211/22a northwest area in the fourth quarter of 2007. A seismic acquisition program on the Fyne and Dandy oil fields is expected to begin shortly in the second quarter of 2007. Funds for the Company's planned capital expenditures are expected to be from combinations of existing working capital, new equity and debt instruments.

SUMMARY OF QUARTERLY RESULTS

($000's, except per share amounts)	*Oil and Gas Net Revenue, Net of Royalties*	*Cash Flow from Operations*	*Net Income (Loss)*	*Net Income (Loss) Per Share – Basic*
2006				
Fourth quarter	2,824	601	(758)	(0.01)
Third quarter	3,396	1,650	644	0.01
Second quarter	2,398	239	910	0.01
First quarter	2,479	1,243	546	0.01
Total	11,097	3,733	1,342	0.02
2005				
Fourth quarter	2,427	851	(2,431)	(0.05)
Third quarter	2,611	892	188	0.00
Second quarter	2,444	564	(597)	(0.01)
First quarter	1,934	223	(350)	(0.01)
Total	9,416	2,530	(3,190)	(0.07)
2004				
Fourth quarter	1,604	(424)	(4,313)	(0.12)
Third quarter	1,513	170	(1,045)	(0.03)
Second quarter	1,410	215	(241)	(0.01)
First quarter	1,401	439	13	0.00
Total	5,928	400	(5,586)	(0.16)

Revenues and cash flow from operations decreased in the fourth quarter of 2006 despite higher production levels due to the introduction of an export tax in Tierra del Fuego, Argentina and a decline in the price of WTI crude oil during the period from US$70.48 per barrel to US$59.94 per barrel.

RESERVES

Ryder Scott Company has evaluated as at December 31, 2006 the oil and natural gas reserves attributable to the Company's Tierra del Fuego, Puesto Guardian and Medianera Concessions in Argentina and the Causeway and Fyne and Dandy licence areas in the United Kingdom.

The following table summarizes the changes during the year ended December 31, 2006 in Antrim's net reserves evaluated in the Ryder Scott Report, based on constant prices and costs before royalty.

ANTRIM'S INTEREST IN RESERVES BEFORE ROYALTY (constant price and cost assumptions)

	Opening Balance (mboe)	*Net Additions (mboe)*	*Revisions (mboe)*	*Dispositions (mboe)*	*Production (mboe)*	*Closing Balance (mboe)*
Argentina						
Proved	4,235	5,341	(3,498)	-	(418)	5,660
Probable	1,911	6,701	(2,427)			6,185
Total Proved plus Probable	6,146	12,042	(5,925)	–	(418)	11,845
United Kingdom						
Proved	–	–	–	–	–	-
Probable	–	21,483	–	–	–	21,483
Total Proved plus Probable	–	21,483	–	–	–	21,483
Czech Republic						
Proved	70	–	–	(68)	(2)	–
Probable	17	–	–	(17)	–	–
Total Proved plus Probable	87	–	–	(85)	(2)	–
Total						
Proved	4,305	5,341	(3,498)	(68)	(420)	5,660
Probable	1,928	28,184	(2,427)	(17)	–	27,668
Total Proved plus Probable	6,233	33,525	(5,925)	(85)	(420)	33,328

Additional reserve information relating to the Company is available in the Company's AIF filed on SEDAR at www.sedar.com.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

A summary of significant accounting policies is presented in Note 1 to the consolidated financial statements. In 2006 there were no material changes to the Company's accounting policies.

Preparing financial statements in accordance with Canadian GAAP requires management to make certain judgments and estimates. Changes to these judgments and estimates could have a material effect on the Company's financial statements and financial position. The estimates of proved and probable reserves is critical to many aspects of the Company's financial statements, including net income and the carrying amount of petroleum and natural properties and future abandonment and site restoration liabilities.

The Company also incurs costs related to properties for which no proved reserves may be attributable. These costs must also be assessed to ascertain whether impairment has occurred. In certain instances, the Company may be required under Canadian GAAP to record an impairment charge against these costs even though the Company has and intends to maintain the underlying licence or agreement pertaining to the properties.

RECENT ACCOUNTING PRONOUNCEMENTS

As of January 1, 2007, the Company is required to adopt the Canadian Institute of Chartered Accountants (CICA) Section 1530 "Comprehensive Income", Section 3251 "Equity" , Section 3855 "Financial Instruments Recognition and Measurement", and Section 3865 "Hedges", which were issued in January 2005. Under the new standards, a new financial statement, the Consolidated Statement of Comprehensive Income, has been introduced that will provide for certain gains and losses, including foreign currency translation adjustments and other amounts arising from changes in fair value, to be temporarily recorded outside the income statement. In addition, all financial instruments, including derivatives, are to be included in the Company's consolidated balance sheet and measured, in most cases, at fair values, and requirements for hedge accounting have been further clarified. Antrim is currently analyzing the impact of the new standards on its consolidated financial statements.

As of January 1, 2007, the Company is required to adopt revised CICA Section 1506, "Accounting Changes", which provides expanded disclosures for changes in accounting polices, accounting estimates and corrections of errors, which were issued in July 2006. Under the new standard, accounting changes should be applied retrospectively unless otherwise permitted or where impracticable to determine. In addition, voluntary changes in accounting policy are made only when required by a primary source of Canadian GAAP or the change results in more relevant and reliable information. Antrim does not expect application of this revised standard to have a material impact on its consolidated financial statements.

COMMITMENTS AND CONTINGENCIES

The Company has several commitments in respect of its petroleum and natural gas properties. These commitments and commitments under operating leases for office space are set out in Notes 2 and 9, respectively to the consolidated financial statements.

DISCLOSURE CONTROLS AND PROCEDURES

Antrim has established disclosure controls, procedures and corporate policies so that its consolidated financial results are presented accurately, fairly and on a timely basis. As of December 31, 2006, an evaluation was carried out under the supervision, and with the participation, of the Company's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that as of the end of the fiscal year, the design and operation of these disclosure controls and procedures were effective to ensure that information required to be disclosed by the Company in its annual filings is recorded, processed, summarized and reported within the specified time periods. All internal control systems, no matter how well designed, have inherent limitations. Therefore, these systems provide reasonable, but not absolute assurance, that financial information is accurate and complete.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements in accordance with Canadian GAAP. The Chief Executive Officer and Chief Financial Officer have designed or have caused such internal controls over financial reporting to be designed under their supervision to provide reasonable assurance regarding the reliability of financial reporting and preparation of the Company's financial statements in accordance with Canadian GAAP.

There were no changes in the Company's internal controls over financial reporting that occurred during the fourth quarter that have materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting.

RELATED PARTY AND OFF-BALANCE SHEET TRANSACTIONS

Antrim may from time to time enter into arrangements with related parties. In 2006, the Company incurred fees of $363,295 (2005 – $194,279) payable to Burstall Winger LLP, a law firm in which Mr. Jay Zammit, a director of the Company, is a partner. The Company also incurred fees of $48,650 (2005 – $155,037) for geological services payable to D&S Reservoir Engineering Ltd., a company in which a director during the period was a principal. The Company had no off-balance sheet transactions in 2006.

BUSINESS RISKS

The oil and gas industry involves a wide range of risks which include but are not limited to the uncertainty of finding new commercial fields, securing markets for existing reserves, commodity price fluctuations, exchange and interest rate costs and changes to government regulations, including regulations relating to prices, taxes, royalties, land tenure, allowable production and environmental protection. The oil and natural gas industry is intensely competitive and the Company competes with a large number of companies that have greater resources.

The Company's ability to increase reserves in the future will depend not only on its ability to develop its present properties but also on its ability to select and acquire suitable producing properties or prospects. The acquisition and development of properties also requires that sufficient funds, including funds from outside sources, will be available in a timely manner. The availability of equity or debt financing is affected by many factors, many of which are outside the control of the Company.

The Company has significant investments in several foreign countries and the primary source of revenue is from two oil and gas properties in Argentina. A number of risks are associated with conducting foreign operations over which the Company has no control, including currency instability, potential and actual civil disturbances, restriction of funds movement outside of these countries, the ability of joint venture partners to fund their obligations, changes of laws affecting foreign ownership and existing contracts, environmental requirements, crude oil and natural gas price and production regulation, royalty rates, OPEC quotas, potential expropriation of property without fair compensation and possible interruption of oil exports.

For additional detail regarding the Company's risks and uncertainties, refer to the Company's most recent AIF filed on SEDAR at www.sedar.com.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements are the responsibility of management.The financial statements have been prepared by management in accordance with the accounting policies outlined in the notes to the financial statements. Financial statements include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. In the opinion of management, the financial statements have been prepared within acceptable limits of materiality and are in accordance with Canadian generally accepted accounting principles.The financial information contained in the annual report is consistent with that in the financial statements.

Management maintains appropriate systems of internal control. Policies and procedures are designed to give reasonable assurance that transactions are appropriately authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

PricewaterhouseCoopers LLP, an independent firm of Chartered Accountants, has been engaged, as approved by a vote of the shareholders at the Company's most recent annual general meeting, to examine the financial statements in accordance with Canadian generally accepted auditing standards and provide an independent professional opinion.

The audit committee of the Board of Directors, with all of its members being outside directors, have reviewed the financial statements including notes thereto, with management and PricewaterhouseCoopers LLP.The financial statements have been approved by the Board of Directors on the recommendation of the audit committee.

STEPHEN GREER
President and Chief Executive Officer

ANTHONY J. POTTER, CA
Chief Financial Officer

March 29, 2007

AUDITORS' REPORT

TO THE SHAREHOLDERS OF ANTRIM ENERGY INC.

We have audited the consolidated balance sheets of Antrim Energy Inc. as at December 31, 2006 and 2005 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Accountants

Calgary, Alberta

March 29, 2007

CONSOLIDATED BALANCE SHEETS

As at December 31, 2006 and 2005	2006 Cdn $	*2005 Cdn $*
ASSETS		
Current assets		
Cash and short-term deposits	**53,714,443**	33,209,478
Accounts receivable	**4,111,105**	2,208,801
Inventory and prepaid expenses	**498,298**	354,121
Other current assets	**577,367**	1,209,615
	58,901,213	36,982,015
Petroleum and natural gas properties *(note 2)*	**82,084,916**	22,950,936
Office equipment	**252,693**	103,547
Future income taxes *(note 6)*	**263,263**	14,537
Investments and other non-current assets *(note 3)*	**3,649,215**	175,986
	145,151,300	60,227,021
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	**3,207,383**	6,981,538
Income taxes payable	**301,849**	31,230
	3,509,232	7,012,768
Future income taxes *(note 6)*	**–**	30,508
Asset retirement obligation *(note 4)*	**2,308,327**	554,603
	5,817,559	7,597,879
Commitments *(notes 2 and 9)*		
SHAREHOLDERS' EQUITY		
Capital stock *(note 5)*	**153,176,930**	70,046,407
Contributed surplus	**4,349,415**	2,117,355
Deficit	**(18,192,604)**	(19,534,620)
	139,333,741	52,629,142
	145,151,300	60,227,021

Approved by the Board of Directors

JIM PERRY
Director

BRIAN MOSS
Director

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

For the years ended December 31, 2006 and 2005	2006 Cdn $	*2005 Cdn $*
REVENUE		
Oil and gas	**12,644,011**	10,806,784
Royalties	**(1,547,294)**	(1,390,941)
	11,096,717	9,415,843
Interest and other income	**1,302,612**	609,222
Gain on sale of petroleum and natural gas properties	**1,466,864**	–
	13,866,193	10,025,065
EXPENSES		
Operating	**3,410,009**	3,156,966
General and administrative	**4,302,475**	3,011,410
Stock-based compensation	**1,452,999**	523,418
Depletion and depreciation	**2,540,032**	1,826,451
Accretion of asset retirement obligations	**137,669**	61,022
Foreign exchange loss	**565,745**	459,456
Write-off of impaired assets *(note 2)*	**–**	3,326,264
	12,408,929	12,364,987
Income (loss) for the year before income taxes	**1,457,264**	(2,339,922)
Income tax expense (recovery) *(note 6)*		
Current	**388,008**	867,514
Future	**(272,760)**	(17,867)
	115,248	849,647
Net income (loss) for the year	**1,342,016**	(3,189,569)
Deficit – Beginning of year	**(19,534,620)**	(16,345,051)
Deficit – End of year	**(18,192,604)**	(19,534,620)
Net income (loss) per common share:		
Basic	**0.02**	(0.07)
Diluted	**0.02**	(0.07)

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2006 and 2005	2006 Cdn $	*2005 Cdn $*
Cash provided by (used in)		
OPERATING ACTIVITIES		
Net income (loss) for the year	**1,342,016**	(3,189,569)
Items not involving cash:		
Depletion and depreciation	**2,540,032**	1,826,451
Accretion of asset retirement obligations	**137,669**	61,022
Write-off of impaired assets	**–**	3,326,264
Stock-based compensation expense	**1,452,999**	523,418
Gain on disposition of petroleum and natural gas properties	**(1,466,864)**	
Future income taxes	**(272,760)**	(17,867)
	3,733,092	2,529,719
Change in non-cash working capital items *(note 8)*	**1,873,805**	(2,832,579)
	5,606,897	(302,860)
FINANCING ACTIVITIES		
Issue of common shares	**88,830,958**	27,463,113
Share issue costs	**(5,004,817)**	(2,189,234)
	83,826,141	25,273,879
INVESTING ACTIVITIES		
Office equipment	**(270,493)**	(64,881)
Petroleum and natural gas properties	**(61,163,487)**	(17,975,947)
Proceeds on sale of petroleum and natural gas properties	**1,300,801**	
Other current assets	**632,248**	(1,209,615)
Other non-current assets	**(2,101,300)**	(175,986)
Change in non-cash working capital items *(note 8)*	**(7,325,842)**	6,187,183
	(68,928,073)	(13,239,246)
Increase in cash and short-term deposits	**20,504,965**	11,731,773
Cash and short-term deposits – Beginning of year	**33,209,478**	21,477,705
Cash and short-term deposits – End of year	**53,714,443**	33,209,478

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP"). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions regarding certain assets, liabilities, revenues and expenses. Such estimates must often be made based on unsettled transactions and other events and a precise determination of many assets and liabilities is dependent upon future events. Actual results may differ from estimated amounts.

Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries.

Petroleum and Natural Gas Properties

The Company follows the full cost method of accounting for oil and gas operations whereby all costs of exploring for and development of oil and gas reserves are capitalized into a cost centre for each country in which the Company's subsidiaries have operations. Such costs will include land acquisition costs, geological and geophysical expenses, carrying charges on non-producing properties, lease rentals on undeveloped properties, costs of drilling both productive and non-productive wells and general and administration costs directly related to exploration and development activities.

The ultimate recovery of the costs capitalized to date by cost centre is dependent upon the existence of economically recoverable reserves in each country, the maintenance of the necessary agreements with the applicable regulatory authorities and the ability to obtain the necessary financing to complete the development of its holdings. Costs of acquiring and evaluating unproved properties and major development projects are initially excluded from the depletion and depreciation calculation. These costs are assessed periodically to ascertain whether impairment has occurred. When proven reserves are assigned or the property is considered to be impaired, the cost of the property or the amount of the impairment is added to costs subject to depletion and depreciation.

Costs subject to depletion, including tangible production equipment are depleted using the unit-of-production method based on estimated proven reserves of petroleum and natural gas before royalties as determined by an independent reserve engineer. Reserves are converted to equivalent units on the basis of approximate relative energy content. Gains or losses on the sale or disposition of petroleum and natural gas properties are not ordinarily recognized except under circumstances which result in a change of 20% or more in the depletion rate.

The Company applies a ceiling test to capitalized costs to ensure that such costs do not exceed undiscounted future net revenues from estimated production of proven reserves, using estimates of future prices and costs.

Office Equipment

The Company depreciates its office and computer equipment using the straight-line method at a rate of 20% and 30% respectively. Office equipment is net of accumulated depreciation. At December 31, 2006, accumulated depreciation was $752,397 (2005 – $631,050).

Joint Ventures

Certain of the Company's petroleum and natural gas activities are conducted jointly with others and accordingly the accounts reflect only the Company's proportionate interest in such activities.

Asset Retirement Obligation

The fair value of estimated asset retirement obligations is recognized in the Consolidated Balance Sheet when identified and a reasonable estimate of fair value can be made. Asset retirement obligations include those legal obligations where the Company will be required to retire tangible long-lived assets such as producing well sites and processing facilities. The asset retirement cost, equal to the initially estimated fair value of the asset retirement obligation, is capitalized as part of the cost of the related long lived asset. Changes in the estimated obligation resulting from revisions to estimated timing or amount of undiscounted cash flows are recognized as a change in the asset retirement obligation and the related asset retirement cost.

Asset retirement costs for crude oil and natural gas assets are amortized using the unit-of-production method. Amortization of asset retirement costs is included in depletion and depreciation in the Consolidated Statement of Operations and Deficit. Increases in the asset retirement obligation resulting from the passage of time are recorded as accretion of asset retirement obligations in the Consolidated Statement of Operations and Deficit.

Foreign Currency Translation

Operations of the Company's subsidiaries are considered to be integrated and therefore the financial statements of the subsidiaries are included in these consolidated financial statements on the basis that monetary assets and liabilities are translated at the exchange rate in effect at year-end, non-monetary assets and liabilities are translated at historical rates and revenues and expenses are translated at the monthly average exchange rate.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit and short-term investments, maturing within 90 days at the time of acquisition.

Inventory

Inventories of crude oil, refined products and supplies are valued at the lower of average cost and net realizable value.

Investments

Investments in which the Company is not able to exercise significant influence are carried at cost. Earnings from such investments are recognized only to the extent received or receivable. When there has been a loss in value of an investment that is other than a temporary decline, the investment is written down to recognize the loss.

Revenue Recognition

Revenues are recognized when goods have been delivered, when services have been performed, or when hydrocarbons have been produced and delivered and payment is reasonably assured.

Stock-Based Compensation Plans

Stock-based compensation costs are recognized over the vesting period of the stock options granted with a corresponding amount being shown as contributed surplus. Consideration paid upon the exercise of the stock options is recorded as an increase to share capital together with amounts previously recognized in contributed surplus. No amount of stock-based compensation costs have been capitalized.

Income Taxes

The Company follows the liability method of accounting for income taxes. Under this method, income tax assets and liabilities are recognized for the estimated tax consequences attributable to differences between the amounts reported in the financial statements and their respective tax bases, using enacted or substantially enacted tax rates expected to apply when the asset is realized or the liability settled. Future income tax assets are only recognized to the extent it is more likely than not that sufficient future taxable income will be available to allow the future income tax asset to be realized.

Financial Instruments

The Company's financial instruments consist of cash and short-term deposits, accounts receivable and accounts payable. The fair values of these financial instruments approximate their carrying amounts due to the short-term maturity of these instruments. The Company is exposed to credit risk on its accounts receivable from its customers. The Company believes there is no significant concentration of credit risk.

Measurement Uncertainty

The amounts recorded for depletion, depreciation of property and equipment and the provision for asset retirement obligations are based on estimates. The ceiling test is based on estimates of proved reserves, production rates, prices, future costs and other relevant assumptions. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

Per Share Amounts

Basic earnings per share is calculated by dividing earnings by the weighted average number of common shares outstanding during the period. Diluted earnings per share reflect the potential dilution that could occur if stock options and warrants were exercised. The treasury stock method is used to determine the dilutive effect of stock options and warrants. Under the treasury stock method, only proceeds received from the exercise of "in the money" stock options and warrants are used to determine the impact on the diluted calculations.

2. PETROLEUM AND NATURAL GAS PROPERTIES

	2006		
	Cost $	*Accumulated depletion and depreciation* $	*Net book value* $
Argentina	35,555,395	12,159,012	23,396,383
United Kingdom	62,127,886	3,439,353	58,688,533
	97,683,281	15,598,365	82,084,916

	2005		
	Cost $	*Accumulated depletion and depreciation* $	*Net book value* $
Australia	4,123,306	3,665,586	457,720
Tanzania	1,203,999	1,203,999	–
Argentina	22,117,687	9,765,327	12,352,360
United Kingdom	12,773,522	3,439,353	9,334,169
Czech Republic	2,017,104	1,210,417	806,687
	42,235,618	19,284,682	22,950,936

The benchmark prices used in the ceiling test evaluation of the Company's crude oil and natural gas reserves at December 31, 2006 were:

Year	*WTI Crude Oil (US$/Barrel) Argentina*	*Natural Gas (US$/Mcf) Argentina*
2007	61.00	1.28
2008	61.00	1.84
2009	60.00	1.93
2010	58.00	2.03
2011	57.00	2.13
2012	56.00	2.24
2013	56.00	2.35
% increase thereafter	2.00%	5.00%

In 2005, the Company recorded a write-down of $648,472 with respect to costs in Australia associated with permit WA-307-P relinquished during the year and residual costs related to drilling on permit WA-306-P in 2004. The Company also wrote-off in 2005 costs of $2,677,792 associated with drilling the Clachnaben prospect in the United Kingdom in November 2005.

During the year, the Company capitalized $1,758,953 (2005 – $1,271,489) of general and administrative costs related to exploration and development activity.

At December 31, 2006, petroleum and natural gas properties include $58,688,533 (2005 – $9,791,889) relating to unproven properties that have been excluded from the depletion calculation.

Commitments

The Company has the following commitments in respect of its oil and gas properties:

Argentina – Capricorn Permit

Under the terms of the second exploratory period, the Company and its joint venture partner are required to drill one exploratory well prior to December 2007. The Company currently has a 50% working interest in the permit but has granted an option to a third party to farm-in to this acreage by paying 50% of the cost of up to three wells and additional seismic. At the conclusion of the farm-out, the Company would retain a 37.5% working interest in the permit.

United Kingdom – South Larne

To retain the licence the Company had to prior to October 2006 drill or submit an application to drill an exploration well on the licence by October 2007. In September 2006, the Company submitted an application to the Department of Energy, Trade and Industry ("DETI") to extend the current Petroleum Exploration Licence and for rights to underground gas storage in salt caverns on the same licence area (minerals prospecting licence). The Company has advised the DETI that it seeks to retain its Petroleum Exploration Licence and awaits further information from the DETI as to how this can be achieved under a dual licencing system where a minerals prospecting licence is awarded to a third party.

United Kingdom – Fyne and Dandy

The Company acquired a 75% working interest in Block 21/28a in 2006 for US$8 million. The Company is the operator of the block and intends to implement a work programme in 2007 that includes seismic acquisition, processing and interpretation. A decision to drill or drop the block must be made by November 30, 2007. On approval of a field development plan, the Company has agreed to pay an additional US$10 million as part of the acquisition cost of the block.

3. INVESTMENTS AND OTHER NON-CURRENT ASSETS

In 2006, the Company sold certain non-core assets in Tanzania, the Czech Republic and Australia to NOR Energy AS ("NOR"), a private Norwegian company, in return for a cash payment and common shares of NOR. At December 31, 2006, the Company held 1,175,000 common shares of NOR representing less than 10% of the common shares of NOR outstanding. The Company also held warrants to acquire 700,000 common shares of NOR at a price of US$1.00 per share exercisable until May 26, 2009.

	2006 $	2005 $
Investment in NOR	**2,459,774**	–
Other non-currents assets	**1,189,441**	175,986
	3,649,215	175,986

4. ASSET RETIREMENT OBLIGATIONS

At December 31, 2006, the estimated undiscounted asset retirement obligations are $2,307,645 (2005 – $1,039,606) and $4,536,445 (2005 – $nil) for Argentina and United Kingdom, respectively. The Company expects the undiscounted obligations to become payable over the next 15 years with the majority between 2016 and 2021. The present value of the asset retirement obligations has been calculated using a credit adjusted risk free rate of 8.5% and an inflation rate of 2.5%.

Changes to asset retirement obligations were as follows:

	2006 $	2005 $
Asset retirement obligations, beginning of year	**554,603**	284,882
Accretion expense	**137,669**	61,022
Increase in liabilities	**1,567,320**	288,254
Disposition	**(16,497)**	–
Change in estimates	**65,232**	(79,555)
Asset retirement obligations, end of year	**2,308,327**	554,603

5. CAPITAL STOCK

Authorized

Unlimited number of common voting shares

Unlimited number of preferred shares

Common Shares Issued

	Number of shares	*Amount $*
Balance – December 31, 2004	39,486,863	44,498,365
Exercise of stock options	422,499	557,106
Employee share ownership plan	70,182	115,229
Exercise of broker warrants	468,750	633,899
Exercise of common share purchase warrants	17,500	41,477
Private placement of units	6,111,111	9,990,339
Public offering of units	8,333,333	13,696,480
Repayment of share purchase loan	–	200,000
Shares returned to treasury	(23,750)	–
Share issue costs	–	(2,744,071)
Balance – December 31, 2005	54,886,488	66,988,824
Exercise of stock options	534,001	939,658
Employee share ownership plan	61,326	166,887
Exercise of broker warrants and agent options	1,444,444	2,361,352
Exercise of common share purchase warrants	232,900	773,936
Public offering	29,900,000	84,817,500
Share issue costs	–	(5,347,818)
Balance – December 31, 2006	87,059,159	150,700,339

Common Share Purchase Warrants

	Weighted average exercise price $	*Number of warrants*	*Amount $*
Balance – December 31, 2004	2.10	2,343,751	633,028
Exercise of broker warrants	2.10	234,376	116,101
Exercised for common shares	2.10	(17,500)	(4,727)
Private placement of units	3.00	3,055,555	1,009,661
Public offering of units	3.00	4,166,666	1,303,520
Balance – December 31, 2005	2.76	9,782,848	3,057,583
Expired	2.10	(2,560,627)	(744,402)
Exercise of broker warrants and agent options	3.00	722,222	238,647
Exercise for common shares	3.00	(232,900)	(75,237)
Balance – December 31, 2006	3.00	7,711,543	2,476,591
Total Common Shares and Common Share Purchase Warrants – December 31, 2006			$153,176,930

In August 2004, the Company completed a private placement of 4,687,500 units at a price of $1.60 per unit. Each unit consisted of one common share and one-half common share purchase warrant. Each whole warrant entitled the holder thereof to acquire one common share at a price of $2.10 per common share prior to August 25, 2005. In July 2005, the Company announced that the expiry time of the warrants was to be extended to the earlier of January 24, 2006 and a triggered expiry date which is 30 days immediately following a period in which the ten day volume weighted average price of

the Company's common shares on the TSX exceeds $2.50 per share. At December 31, 2005 there were 2,560,627 warrants outstanding. The Company also issued pursuant to the private placement 468,750 broker warrants. Each broker warrant entitled the holder thereof to acquire one unit at a price of $1.60 per unit prior to August 25, 2005. In August 2005, all of the $1.60 broker warrants were exercised.

In September 2005, Antrim completed a private placement of 6,111,111 special warrants and an offering of 8,333,333 units at an issue price of $1.80 per special warrant for gross proceeds to Antrim of $26,000,000. Each special warrant and unit consisted of one common share and one-half (1/2) common share purchase warrant. The Company also issued 611,111 broker warrants and 833,333 agents' options, exercisable at a price of $1.80 per broker warrant and agents' option, until September 15, 2006 and September 29, 2006, respectively. Each broker warrant and agents' option entitled the holder to acquire one unit consisting of one common share and one-half common share purchase warrant. Each whole warrant issued pursuant to the private placement and offering entitles the holder thereof to purchase one common share at a price of $3.00 per share until March 15, 2007 and March 29, 2007, respectively. At December 31, 2006, all of the broker warrants, agents' options and 232,900 warrants had been exercised. On March 29, 2007, 3,251 warrants expired unexercised.

In May 2006, the Company completed a public offering of 14,750,000 common shares at a price of $1.95 per common share for gross proceeds of $28,762,500. The Company also issued pursuant to the public offering 737,500 agents options. Each agents option entitles the holder thereof to acquire one common share at a price of $2.24 per common share until May 8, 2007. As at December 31, 2006, none of the agents options were exercised.

In November 2006, the Company completed a public offering of 15,150,000 common shares at a price of $3.70 per common share for gross proceeds of $56,055,000.

Included in share issue expense is $343,001 (2005 – $554,837) with respect to the broker warrants and agents warrants. The fair value of the common share purchase warrants, broker warrants and agents warrants at the issue date was estimated using the Black Scholes option pricing model with the following assumptions: Risk free interest rate – 4.22% (2005 – 3.32%); expected life – 12 to 18 months; expected volatility – 60% (2005 – 60%); expected dividend yield – nil (2005 – nil).

Stock Options

The Company has established a stock option plan whereby the Company may grant options to its directors, officers, employees and consultants for up to 10% of the issued and outstanding number of common shares. The exercise price of each option is no less than the market price of the Company's stock on the date of grant. Stock option terms are determined by the Company's Board of Directors but typically vest evenly over a period of three years from the date of grant and expire five years after the date of grant.

A summary of the status of the Company's stock option plan is presented below.

	2006		2005	
	Shares	Weighted-average exercise price $	*Shares*	*Weighted-average exercise price $*
Outstanding – Beginning of year	**2,422,334**	**1.21**	2,100,667	1.07
Granted	**4,609,500**	**2.46**	925,000	1.38
Expired/Cancelled	**(343,334)**	**1.48**	(180,834)	1.04
Exercised	**(534,001)**	**1.18**	(422,499)	0.99
Outstanding – End of year	**6,154,499**	**2.13**	2,422,334	1.21
Options Exercisable – End of year	**959,170**	**1.11**	855,664	1.03

The following table summarizes information about the stock options outstanding at December 31, 2006:

Options outstanding				*Options exercisable*		
Range of exercise prices $	*Weighted average exercise price $*	*Number Outstanding December 31, 2006*	*Weighted average years remaining contractual life*	*Range of exercise prices $*	*Weighted average exercise price $*	*Number Outstanding December 31, 2006*
0.76 – 1.00	0.88	425,000	1.07	0.76 – 1.00	0.88	425,000
1.01 – 2.00	1.46	2,394,499	3.29	1.01 – 2.00	1.30	534,170
2.01 – 3.00	2.07	1,850,000	4.19	2.01 – 3.00	–	–
3.01 – 4.00	3.65	1,485,000	4.44	3.01 – 4.00	–	–
		6,154,499				959,170

Stock-based compensation costs are recognized over the vesting period of the stock options granted.

The fair value of each stock option granted is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: Risk free interest rate – 4.10% (2005 – 3.51%); expected life – 4.5 years (2005 – 5 years); expected volatility – 60.0% (2005 – 60.0%); expected dividend yield – nil (2005 – nil).

Stock-based compensation costs do not include costs associated with stock options granted prior to January 1, 2002. Stock based compensation costs in 2006 were $1,452,999 (2005 – $523,418).

Per Share Information

The weighted average number of common shares outstanding during the year was 66,917,917 (2005 – 43,823,596). The fully diluted weighted average number of common shares outstanding during the year was 76,326,130 (2005 – 44,669,260). For 2006, 959,170 stock options (2005 – 845,664), 7,711,543 warrants (2005 – nil) and 737,500 broker warrants (2005 – nil) were included in the calculation of fully diluted weighted average number of common shares.

Employee Share Ownership Plan

The Company has adopted an employee share ownership plan ("ESOP"). Under the terms of the plan, employees may contribute between 1% and 10% of their gross annual salary, subject to a minimum of $500 per annum, with the Company matching that contribution on a 1:1 basis. Purchases are to be made on a quarterly basis at a price per share equal to the average price for the five days preceding the issuance. The maximum number of common shares issuable pursuant to the ESOP shall not exceed 800,000 common shares. The maximum number of common shares issuable in any one year period pursuant to the ESOP, Stock Option Plan and all other established or proposed share compensation arrangements shall not exceed 10% of the outstanding common shares. During the year, the Company issued 61,326 common shares at an average price of $2.72 per share. Of this amount, employees contributed $83,443 (2005 – $57,615) with the Company matching that contribution.

6. INCOME TAXES

The differences between the expected income tax provision and the reported income tax provision are summarized as follows:

	2006 $	2005 $
Income (loss) before income taxes	**1,342,016**	(2,339,922)
Statutory income tax rate	**32.49%**	33.62%
Expected tax expense (recovery)	**436,021**	(786,682)
Increase (decrease) in taxes resulting from:		
Benefit of tax losses not recognized (recognized)	**(64,310)**	1,614,908
Foreign income subject to higher rate	**24,307**	31,517
Foreign income subject to lower rate	**(8,010)**	(10,096)
	388,008	849,647

The components of the Company's net future income tax asset (liability) are as follows:

	2006 $	2005 $
Future income tax asset:		
Tax basis of capital assets in excess of carrying value	**263,263**	–
Future income tax liabilities:		
Carrying value of capital assets in excess of tax basis	**–**	(30,508)
Net future income tax asset (liability)	**263,263**	(30,508)

At December 31, 2006, the Company has Canadian non-capital loss carryforwards in the amount of approximately $11,100,000 (2005 – $8,550,000), expiring at various dates from 2007 – 2013. The Company incurs losses in several of the countries that it operates in, while generating taxable income in Argentina. No accounting recognition has been given to the losses.

7. SEGMENTED INFORMATION

			2006
	Revenue $	*Earnings (loss) $*	*Identifiable assets $*
Argentina	12,536,957	1,982,553	28,396,739
Australia	–	(7,845)	–
Canada	–	(301,700)	56,453,231
Czech Republic	107,054	82,306	–
New Zealand	–	(11,208)	769
Tanzania	–	(3,679)	–
United Kingdom	–	(398,411)	60,300,561
Total	12,644,011	1,342,016	145,151,300

			2005
	Revenue $	*Earnings (loss) $*	*Identifiable assets $*
Argentina	10,459,415	2,762,663	16,069,483
Australia	–	(674,244)	815,624
Canada	–	(1,981,074)	31,866,372
Czech Republic	347,369	(44,929)	1,480,492
New Zealand		(7,481)	3,119
Tanzania	-	(25,451)	–
United Kingdom	–	(3,219,053)	9,991,931
Total	10,806,784	(3,189,569)	60,227,021

8. SUPPLEMENTAL CASH FLOW INFORMATION

	2006 $	*2005 $*
Operating activities:		
Decrease (increase) in current assets:		
Accounts receivable	**(1,011,231)**	1,862,874
Inventory and other	**(144,177)**	(154,676)
Increase (decrease) in current liabilities:		
Accounts payable and accrued liabilities	**2,660,614**	(3,951,755)
Income taxes payable	**285,156**	(646,637)
Employee share ownership plan contribution	**83,443**	57,615
	1,873,805	(2,832,579)
Investing activities:		
Decrease (increase) in current assets:		
Accounts receivable	**(891,073)**	(582,588)
Increase (decrease) in current liabilities:		
Accounts payable and accrued liabilities	**(6,434,769)**	6,769,771
	(7,325,842)	6,187,183
Interest received	**1,110,193**	559,312
Income taxes paid	**86,159**	836,284

9. COMMITMENTS AND CONTINGENCIES

In addition to commitments in respect of its oil and gas properties (see note 2), the Company is committed to payments under operating leases for office space, net of sub-lease arrangements, for the next five years as follows:

Year	$
2007	293,189
2008	285,318
2009	267,616
2010	40,472
2011	–
	886,595

On October 11, 2006, resolution 776/2006 was published in Argentina by the Ministry of Economy and Production setting forth its position that export taxes initially announced as an emergency measure in January 2002 were applicable on oil, gas and natural gas liquids exports from Tierra del Fuego. A subsequent resolution was published by the Customs Authority stating that the export tax should be collected retroactively to January 2002. An appeal of both resolutions and an injunction to prevent collection of the export tax on a retroactive basis has been filed by the Company. In February 2007, a court granted the injunction pending the outcome of the appeals.

If the retroactive application of the export tax is upheld, further analysis is required of the Company's exposure, if any, to export taxes related to exports by the previous owners of the concessions. No export taxes on exports prior to October 11, 2006 have been recorded in the consolidated financial statements as amounts and outcomes are currently not determinable. The Company has begun to pay and expense export taxes on exports subsequent to October 11, 2006. On January 16, 2007, the Argentine government issued Law 26,217 which extended all export taxes for a further five years and specifically included exports from Tierra del Fuego.

10. RELATED PARTY TRANSACTIONS

In 2006, the Company incurred fees of $363,295 (2005 – $194,279) payable to a law firm in which a director of the Company is a partner. The Company also incurred fees of $48,650 (2005 – $155,037) for geological services payable to a company in which a director during the period was a principal.

ABBREVIATIONS

°API	as defined by the American Petroleum Institute
bbls	barrels
boe	barrel of oil equivalent of gas where 6,000 cubic feet of gas equals one barrel*
boepd	barrels of oil equivalent per day
bopd	barrels of oil per day
km	kilometres
km^2	square kilometres
mbbls	thousand barrels
mboe	thousand boe
mcf	thousand cubic feet
mmbbls	million barrels
mmboe	millions of barrels of oil equivalent
mmBtu	million British thermal units
mmcf	million cubic feet
mmcf/d	million cubic feet per day
mTVD	metres true vertical depth
NGL	natural gas liquids
stb	stock tank barrels
Tcf	trillion cubic feet
WTI	West Texas Intermediate

* The boe conversion ratio of 6 mcf: 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

BOARD OF DIRECTORS

STEPHEN GREER, PRESIDENT AND CHIEF EXECUTIVE OFFICER, ANTRIM ENERGY INC.

Mr. Greer has served as Chief Executive Officer of Antrim Energy Inc. since September 1999. Mr. Greer was previously Chairman and Managing Director of a predecessor corporation, Antrim International, and President of Antrim Resources Inc., a private oil and gas company. Mr. Greer has over 25 years of petroleum exploration experience and a technical background in oil and gas exploration, gained from various positions with companies including Texaco Canada Inc. and BP Canada Inc., both public oil and gas companies. Mr. Greer received a M.Sc in Geology from the University of Witwatersrand in Johannesburg, South Africa.

DR. GERRY ORBELL, CHAIRMAN, ANTRIM ENERGY INC.

Dr. Orbell is a petroleum geologist with more than 30 years of international experience. He currently serves as Executive Chairman of Sound Oil plc, a public company listed on the London AIM. Previously he served as Executive Director, Exploration and Production, of Premier Oil plc, where he was responsible for the worldwide oil and gas exploration and production program involving Albania, Pakistan, Tunisia and the UK. From 1983 to 1992 Dr. Orbell served in various senior management roles with Fina Petroleum Development Ltd. and Fina Exploration, including Director of Oil Exploration and Production. Dr. Orbell holds a Ph.D. (Geology) from University College in London and has been a member of the American Association of Petroleum Geologists since 1975. He is a member of the Board and Chairman of the Audit Committee of Valpak Ltd. in the UK.

JAY ZAMMIT, PARTNER, BURSTALL WINGER LLP

Mr. Zammit attended the University of Manitoba and received a Bachelor of Commerce (Finance) in 1982, following which he served as a consultant to the International Air Transport Association. Mr. Zammit obtained a Bachelor of Laws in 1987 from the University of Manitoba and was admitted to the Alberta Bar in 1988. Mr. Zammit's preferred areas of practice include corporate finance and commercial law. He was seconded to the Alberta Securities Commission in 1989. Mr. Zammit has advised on various public and private financing transactions as well as trusts, funds, reorganizations, takeovers, mergers, shareholder disputes and strategic relationships. Mr. Zammit served on the executive of the Business Law Subsection of the Canadian Bar Association for several years.

JIM PERRY, PRESIDENT, CEO AND DIRECTOR, ALTERNATIVE FUEL SYSTEMS (2004) INC.

Mr. Perry is currently President, CEO and a Director of Alternative Fuel Systems (2004) Inc., a TSX-Venture listed company. Prior to joining AFS he served as President and a Director of Global Thermoelectric Inc., as President of Computalog Ltd. and of Schlumberger of Canada. Mr. Perry is a registered professional engineer in the Province of Alberta, and holds a degree in Mineral Engineering from the University of British Columbia.

DR. BRIAN MOSS, PRESIDENT AND CEO, LOS ALTARES RESOURCES LTD.

Dr. Moss has over 30 years of international and domestic oil and gas experience. Dr. Moss currently serves as Chairman of the Board for Richards Oil & Gas Ltd. and President and CEO of Los Altares Resources Ltd. Dr. Moss has previously served as Vice-President for AEC, Latin America and Argentina, Rio Alto Exploration Ltd. and Rio Alto Resources International Inc. Dr. Moss received a Ph.D., and Diploma in Petroleum Geology from the Royal School of Mines, Imperial College of Science & Technology, University of London, in 1974. Dr. Moss is a registered professional geologist with APEGGA.

CORPORATE INFORMATION

DIRECTORS

STEPHEN GREER

President and Chief Executive Officer,
Antrim Energy Inc.

DR. BRIAN MOSS [(1) (3)]

President and Chief Executive Officer,
Los Altares Resources Ltd.

DR. GERRY ORBELL [(1) (2)]

Chairman and Chief Executive Officer,
Sound Oil plc

JIM PERRY [(1) (3)]

President, Chief Executive Officer and Director,
Alternative Fuel Systems (2004) Inc.

JAY ZAMMIT [(2)]

Partner,
Burstall Winger LLP

(1) *Member of the Audit Committee*
(2) *Member of the Compensation Committee*
(3) *Member of Reserves Committee*

OFFICERS

STEPHEN GREER, M.SC. (GEOLOGY)
Chief Executive Officer

ANTHONY J. POTTER, C.A.
Chief Financial Officer and Corporate Secretary

KERRY FULTON, P. ENG.
Chief Operating Officer

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The Company's website is not incorporated by reference in and does not form a part of this Annual Report.

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Antrim Oil and Gas Limited
Antrim Resources (N.I.) Limited
Netherfield Corporation

LEGAL COUNSEL

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Calgary, Alberta

BANKERS

Toronto-Dominion Bank of Canada

AUDITORS

PricewaterhouseCoopers LLP
Calgary, Alberta

INDEPENDENT ENGINEERS

Ryder Scott Company

REGISTRAR AND TRANSFER AGENT

Inquiries regarding change of address, registered shareholdings, stock transfers or lost certificates should be directed to:
CIBC Mellon Trust Company
Calgary, Alberta

STOCK EXCHANGE LISTINGS

Toronto Stock Exchange: Trading Symbol "AEN"
London Stock Exchange (AIM): Trading Symbol "AEY"

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